

# An ANP-based approach for the selection of photovoltaic solar power plant investment projects

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## ABSTRACT

In this paper the Analytic Network Process (ANP) is applied to the selection of photovoltaic (PV) solar power projects. These projects follow a long management and execution process from plant site selection to plant start-up. As a consequence, there are many risks of time delays and even of project stoppage.

In the case study presented in this paper a top manager of an important Spanish company that operates in the power market has to decide on the best PV project (from four alternative projects) to invest based on risk minimization. The manager identified 50 project execution delay and/or stoppage risks.

The influences between the elements of the network (groups of risks and alternatives) were identified and analyzed using the ANP multicriteria decision analysis method. Two different ANP models were used: one hierarchy model (that considers AHP as a particular case of ANP) and one network-based model. The results obtained in each model were compared and analyzed. The main conclusion is that unlike the other models used in the study, the single network model can manage all the information of the real-world problem and thus it is the decision analysis model recommended by the authors. The strengths and weaknesses of ANP as a multicriteria decision analysis tool are also described in the paper.

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## 1. Introduction

The use of photovoltaic (PV) solar systems for the generation of electric power has increased dramatically in Spain in recent years. The reason for this has been, on the one hand, the recent development of a favourable legal framework and, on the other, the

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excellent weather conditions of the country in terms of solar radiation, in particular in the south of Spain [1]. The new energy policies include the Renewable Energy Plan 2005–2010 [2] and Royal Decree 661/2007 [3], modified by Royal Decree 1578/2008 [4]. The new PER was approved in 2005 with the aim of fulfilling the Spanish commitments for Kyoto's protocol as a member of the European Union. The main objective of the Renewable Energy Plan is that by 2010, 12% of Spain's primary energy demand be supplied by renewable energies and that PV power be increased from 15 MW to 200 MW. RD 661/2007 replaced RD 436/2004 and included new incentives for renewable and co-generation energies. As a result the investments in PV energy rose dramatically so that in August 2007 more than 85% of the objective of PV power for 2010 had already been exceeded and in May 2008 1000 MW PV power was generated.

The rapid development of the sector has favoured the increase of industrial investments in PV technology and generation [5]. The recently approved RD 1578/2008 reduces the financial aids because, as indicated in the foreword of the RD, insufficient financial aid may make the investment unfeasible whereas excessive aid may negatively affect the cost of the electric system and de-incentive PV research and development. These policies that support renewable energies have emerged all over Europe as a consequence of Directive 2001/77/EC [6]. The PV solar power generated in the 27 member states of the European Union has increased from 41 GWh in 1997 to 1457 GWh in 2005, Germany, Italy and Spain being the main producers of this kind of energy [7].

Resulting from this support to PV energy, a powerful industry is emerging in Spain for the manufacture of all components used in PV solar power plants, from the manufacture of polysilicon, wafers and solar modules to solar trackers or inverters. According to Arán et al. [8], Spain exports 85% of its PV production and accounts for 7% of global PV production.

PV solar systems can be classified into four groups: (i) small PV systems (1–5 kW) for domestic and rural use; (ii) medium-size PV systems (5–100 kW) for use in commercial or industrial buildings; (iii) large PV systems (100 kW to 1 MW) for industrial self-consumption and sale of extra energy; and (iv) centralized PV power plants (1–50 MW) that generate electricity to sell it to the power distribution system [9].

Most of the investment has been for the construction of photovoltaic solar plants, also known as solar power farms, and called *Huertas Solares* in Spanish. PV solar plants consist of a number of photovoltaic solar panels placed in a specific site and the generated energy is sold to the contracting electricity supply company. The amount of energy generated ranges between 3 MW<sub>p</sub> (Megawatt peak) and 50 MW<sub>p</sub>.

Conventional power plants like nuclear or combined-cycle power plants require substantial investments only affordable to large power supply companies. By contrast, the investment required to develop solar power plants is considerably lower and thus affordable to smaller companies or individual investors. For this reason, many companies smaller than the large power supply companies are starting to position in this market and are investing in solar power.

The present paper analyzes the problem for the managing board of an important solar power investment company to establish a priority order among different projects to develop a photovoltaic solar power plant. The company in this case study is a medium-size company traditionally devoted to the installation and maintenance of power systems for power supply companies, but which has recently entered the market of power generation through the development, maintenance and exploitation of solar power plants.

The decision problem presented here is highly complex because in addition to economic profitability, the risks involved in the development, construction, execution and maintenance of the

plant are relevant factors in the decision-making process. Therefore the priority value assigned to each project depends on economic profitability and project execution time. Investment companies that execute the project and further exploit the installations cannot have their resources inactive while waiting for the corresponding construction approval and execution permits, which may be delayed, or depend on lengthy negotiations with the power supply company.

A solar power plant project, from the very first stage of selecting the plant site and land survey, to the last stage of implementing and starting-up of the plant, follows a long process to obtain the required construction permits and authorizations (Table 1), to negotiate with the different stakeholders (land owners, local and government authorities, power supply companies), to comply with complex legal regulations, as well as to solve the technical problems related to the construction of the plant and the distribution of the energy generated. This management process to obtain the required construction and execution permits and development of the plant makes projects that can be very profitable at the exploitation stage be also very risky due to unexpected project execution delays or even project stoppage.

This paper presents a decision-making method based on the Analytic Network Process (ANP) [10,11], which may help the managing board of a company of this kind to solve the following decision-making problem: *"Given a number of photovoltaic power investment projects that are known to be profitable for the company, establish project priority based on project risk levels and execution time delays."*

The procedure proposed here allows for the identification, weighting and estimation of the risks involved in the development of solar power projects, and for establishing priorities based on this risk analysis. Two models were used in the study: a hierarchy AHP model that disregards the influences among the elements of the network, and a network-based ANP model that considers element influences. Finally, the resulting data were compared and the overall process was analyzed on the basis of the time devoted by the Decision Maker and his degree of satisfaction with the analysis procedure and the final results.

The rest of the paper is organized as follows. Firstly, Section 2 introduces the Analytic Network Process. Then, Section 3 describes the decision-making process while Section 4 presents the main conclusions derived from this research and future works.

## 2. Background of AHP and ANP

The Analytic Hierarchy Process (AHP) and the Analytic Network Process (ANP) are two methods proposed by Saaty [10–13]. AHP is a well-known technique that breaks down a decision-making problem into several levels in such a way that they form a hierarchy with unidirectional hierarchical relationships between levels. The top level of the hierarchy is the main goal of the decision problem. The lower levels are the tangible and/or intangible criteria and subcriteria that contribute to the goal. The bottom level is formed by the alternatives to evaluate in terms of the criteria. AHP uses pairwise comparison to allocate weights to the elements of each level, measuring their relative importance with Saaty's 1–9 scale, and finally calculates global weights for assessment at the bottom level. The method also calculates a consistency ratio (CR) to verify the coherence of the judgments, which must be about 0.10 or less to be acceptable. Mathematical foundations of the AHP can be found in Saaty [13,14].

AHP is conceptually easy to use; however, its strict hierarchical structure cannot handle the complexities of many real-world problems. As a solution, Saaty proposed the ANP model, a general form of AHP. ANP represents a decision-making problem as a network of criteria and alternatives (all called elements), grouped

**Table 1**

Diagram of the required construction and execution permits and licences.

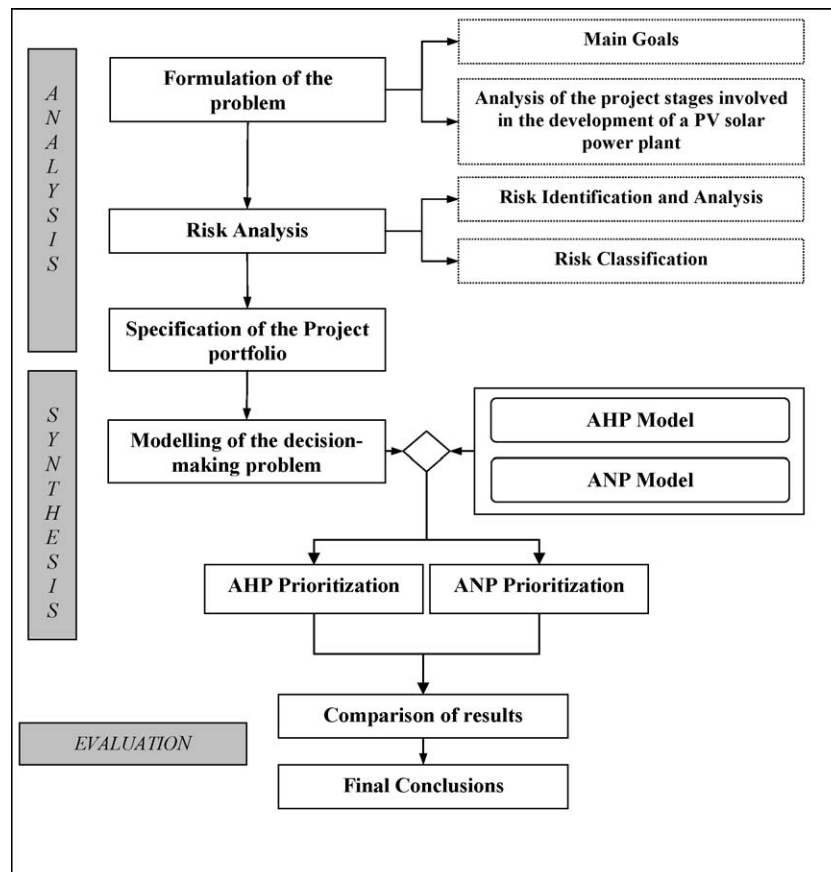
	Preliminary issues	Final issues
Local administration Electric grid manager Competent Body Autonomous Regions	Construction license Electric grid connection point Administrative approval. Provisional Registration in the Register of Production Facilities in special Regime	Business Activity License Final connection to the grid. Contract Certificate of plant start-up. LV certificate Registration in the Register of Production Facilities in special Regime
Public Tax Administration	Registration in EAT (Economic Activity Tax)	Business Activity Code

into clusters. All the elements in the network can be related in any possible way, i.e. a network can incorporate feedback and interdependence relationships within and between clusters. This provides a more accurate modelling of complex settings. The influence of the elements in the network on other elements in that network can be represented in a supermatrix. This new concept consists of a two-dimensional element-by-element matrix which adjusts the relative importance weights in individual pairwise comparison matrices to build a new overall supermatrix with the eigenvectors of the adjusted relative importance weights. According to Saaty [11], the ANP model comprises the following steps:

- (i) Identifying the components and elements of the network and their relationships.
- (ii) Conducting pairwise comparisons on the elements.
- (iii) Placing the resulting relative importance weights (eigenvectors) in pairwise comparison matrices within the supermatrix (unweighted supermatrix).
- (iv) Conducting pairwise comparisons on the clusters.

- (v) Weighting the blocks of the unweighted supermatrix, by the corresponding priorities of the clusters, so that it can be column stochastic (weighted supermatrix).
- (vi) Raising the weighted supermatrix to limiting powers until the weights converge and remain stable (limit supermatrix).

Some of the most recent applications of ANP to decision-making problems have been: R&D project selection [15,16]; construction project selection [17]; resource allocation in transportation [18]; enterprise information system project selection with regard to BOCR [19]; supplier selection [20], selection of logistics service provider [21], contractor selection [22], purchasing decisions [23]; solid waste disposal options [24], locating undesirable facilities [25]; concept evaluation in a new product development [26]; evaluation of alternative fuels for electricity generation [27] and for residential heating [28]; strategic e-business decision analysis [29], asset valuation [30,31]; choice of best management alternative of the supply chain in a company [32], determination of the appropriate energy policy [33], product mix planning [34],

**Fig. 1.** Decision-making process.

selection of best actuation for end-of-life computers [35], acquisition of new machine tools in a company [36], financial crisis forecasting [37], facility location problem [38], warehouse location for Digital Equipment Corporation [39].

The reasons for using an ANP-based decision analysis approach in the present work are (i) risk-based project selection is a multicriteria decision problem, (ii) there are dependences among groups of risks and between these and the projects under evaluation that have to be analyzed, and (iii) the detailed analysis of interdependences between clusters forces the Decision Maker to carefully reflect on his/her project priority approach and on the decision-making problem itself, which results in a better knowledge of the problem and a more reliable final decision.

### 3. The decision-making process and the ANP modelling approach

The decision-making process followed in the study was divided into three phases: problem analysis, synthesis and evaluation. The study was developed jointly by the research team of the Department of Engineering Projects of the Polytechnic University of Valencia, who are experts in MCDA and played the role of *Analysis Team* (EA), and a top manager of the investment company who is an expert in the management and execution of photovoltaic solar power plant projects and who played the role of *Decision Maker* (DM). Following Saaty's interpretation [2], in the present work the AHP method is considered a particular case of ANP. Fig. 1 shows the decision-making process followed in the study.

#### 3.1. Phase of problem analysis

In this phase the problem was defined. At the first two meetings between the Analysis Team and the Decision Maker the decision problem was formulated and the main goal of the analysis process was identified as mentioned in Section 1 of the paper. Next, the stages involved in the development of a photovoltaic solar power plant were analyzed and the possible risks associated with each stage of the project were identified. From the project portfolio of the company, the Decision Maker selected four alternatives. Following is a description of the different stages of the process.

##### 3.1.1. Analysis of the stages of a photovoltaic solar power plant project

At this stage the process of developing a photovoltaic solar power plant was analyzed from the selection of the best plant site to the execution, exploitation and maintenance of the plant. Annex 1 shows a list of the different steps of the process. This analysis allowed the DM to identify project delay or stoppage risks for each stage of the process.

##### 3.1.2. Risk identification

For risk identification, in addition to the project analysis mentioned above, social, legal, political, technical and economic factors were taken into consideration. These factors are mutually related. Since this step is essential in the decision-making process, risk identification was done in an iterative way. In the first iteration the DM elaborated a list of risks, grouped by concepts associated with the different steps of the project. The risks, in turn, were grouped into six specific categories: political risks (P), technical risks (I), economic risks (E), time delay risks (T), legal risks (L) and social risks (S). In the second iteration, the risks were put into these categories, and some risks which could fall into two categories were re-defined so as to obtain a final well-defined risk classification. Finally, 50 bottom-level risks were identified and grouped into 16 second-level sub-groups. The 16 sub-groups were, in turn, grouped into 6 high-level groups or categories. Below is a description of the risks analyzed:

1. Political risks
  - 1.1. Macroeconomic
    - C1. Changes in the energy policy: Assessment of the risk associated with energy policy changes introduced by public administrations.
  - 1.2. Urban planning
    - C2. Approval by the Local Body: Political risk understood as the level of interest in the project by the Town Mayor. Project approval is riskier if the level of interest is low. By contrast, projects of great interest are more likely to be approved.
    - C3. Obtaining of construction license: Assessment of the risk associated with the interest of the City Council to grant the license. It is a political risk as the City Council may consider the project of a higher or lower priority.
2. Technical risks
  - 2.1. Associated with plant location
    - C4. Technological adequacy to climate change: Human activities may cause climate changes. This generates uncertainty when deciding the most suitable technology to use as the project should have a useful life of at least 25 years, along which significant climate changes may occur.
    - C5. Estimation of flood risks: Assessment of flood risks in the area where the PV power plant is to be built.
    - C6. Estimation of effective solar radiation hours: There is always an error index in the estimates of solar radiation, which adds uncertainty to the project. The availability of historical statistical data of the area permits prioritizing among possible plant sites.
    - C7. Earthworks: Risk of higher or lower technical problems associated with land levelling.
    - C8. Geotechnical problems of the terrain: Assessment of the risk associated with the geotechnical problems.
  - 2.2. Associated with technology
    - C9. Development of new photovoltaic solar power systems: Assessment of the risk in the development of new technologies.
    - C10. Selection of the PV cell: The inadequate selection of the solar panels may generate great losses. The type of solar panels will depend on the plant site.
    - C11. Selection of inverters: Assessment of the risk associated with the selection of the inverters.
    - C12. Selection of solar tracker: Assessment of the risk associated with the selection of the solar trackers. Solar trackers are mechanical components that may fail.
    - C13. Connection to the electric grid: The connection to the electric grid requires accurate technical control systems.
    - C14. Possibility of alternative power generation systems: Assessment of the risk associated with the development of new power generation systems, which may make public administrations reluctant to support PV.
3. Economic risks
  - 3.1. Associated with plant exploitation
    - C15. Plant operation costs: Assessment of the risk of higher or lower operational costs.
    - C16. Corrective maintenance costs: Assessment of the risk of higher or lower plant maintenance costs.
    - C17. Prevention maintenance costs: Assessment of the risk of higher or lower preventive maintenance costs.
    - C18. Performance losses: Assessment of the risk of not adequately considering PV plant performance losses. This can reduce plant profitability.
  - 3.2. Associated with plant location
    - C19. Revenue estimation based on effective solar radiation time: Assessment of the possible errors in the estimates

of effective solar radiation hours. A lack of consistency in the estimation of effective solar radiation hours will negatively affect PV plant profitability.

- C20 Revenue estimation due to the climate change: Climate change may significantly affect the estimates of PV plant profitability.
- C21 Earthworks resources: Risk of extra expenses associated with the corrective measures for land levelling.
- C22 Flood prevention works: Assessment of the risk of extra expenses due to problems associated with flood risks.
- C23 Solution of geotechnical problems: Assessment of the risk of extra expenses due to problems of geotechnical nature.
- 3.3. Associated with plant start-up permits
  - C24 Costs of connection to electric grid: The agreement with the power supply company involves certain costs that may vary depending on the characteristics of the power connection system.
  - C25 Costs of agreement with land owner: Assessment of land owners willingness to sign an agreement with the land owner.
  - C26 Possibility of constructing the power connection line: The connection point to the distribution line is the Power Company's responsibility. Usually the company fixes the connection point that best fits its interests. Therefore, the costs of constructing the power connection line must be estimated.
  - C27 Economic risks related to the obtaining of the construction license: Assessment of the risk associated with possible City Council requirements to obtain the construction license.
- 3.4. Associated with technology
  - C28 Costs due to inadequate selection of PV cell.
  - C29 Costs due to inadequate selection of inverter.
  - C30 Costs due to lack of consistency in the selection of the solar tracker.
- 3.5. Macroeconomic
  - C31 Obtaining of bank financing: Assessment of the risk for obtaining bank financing for the project.
  - C32 Changes in power demand: Changes in power demand may affect the estimates of plant profitability.
  - C33 Changes in the price of money: Influence of the inflation rate on the project cash-flow over the PV plant lifespan.
  - C34 Changes in energy prices: Assessment of whether there is any risk of energy prices varying during the PV plant lifespan.
- 4. Time delay risks
  - 4.1. Connection to electric grid
    - C35 Delays in the construction of the power connection line.
    - C36 Delays in obtaining administrative approval for the construction of the line.
    - C37 Delays in obtaining PV plant Start-up Act.
    - C38 Delays in the signature of the agreement with the electricity supply company.
  - 4.2. Urban planning
    - C39 Delays in obtaining the Local Body Approval.
    - C40 Delays in obtaining the EIS.
    - C41 Delays in obtaining the construction license.
- 5. Legal risks
  - 5.1. Associated with legal issues
    - C42 Changes in specific legislation: Assessment of the risk of legislative changes that may affect the General Administration incentives to renewable energies.
    - C43 Changes in general legislation.

## 5.2. Connection to electric grid

C44 Legislative changes in the Administrative Authorization of the power distribution line: The power connection line requires an Administrative Authorization regulated by the local governments that may vary from one regional state to another.

C45 Legislative changes in the obtaining of the plant Start-up Act: The Start-up Act is given during the last stages of project execution, just before plant exploitation. It is issued by the Local Authorities, which involves certain risks as the regulations may vary from one regional state to another.

C46 Obtaining of the Registration in the Register of Production Facilities in special Regime: Assessment of the risk of changes in the legislation of REPE (Special Regime of Electric Power Generation). REPE depends on the Local Authorities, and therefore there may be differences between the Local Authorities of the different regional states.

## 5.3. Urban planning

C47 Legislative changes in the EIS: Risk of changes in the environmental regulations that may include new corrective measures to be implemented during project execution.

## 6. Social risks

### 6.1. Related to plant exploitation

C48 Theft: Assessment of theft from the power plant site.

C49 Vandalism: Assessment of vandalism to the power plant facilities.

### 6.2. Urban planning

C50 Social consequences resulting from land acquisition: Assessment of the risk of social disapproval, which may impede project execution.

### 3.1.3. Specification of the company's project portfolio

At this stage, the DM identified the projects that were used as alternatives in the decision process. Project selection was based on criteria of economic profitability, and technical and environmental feasibility. Four projects with different characteristics and plant location were finally selected. *Annex 2* shows the main features of the four selected projects.

### 3.2. Phase of data synthesis

In this phase, the risks were weighted; then each alternative was valued for each risk so as to obtain the desired final priority order of the projects under study. For this purpose, in the present work the AHP and ANP methods are used following two decision analysis models: one hierarchical and network-based the second with the risk clusters and the alternatives form a single network. Following is a description of each decision analysis model.

#### 3.2.1. The hierarchy model

In this model the main goal of the problem is placed at the top vertex: *to select the photovoltaic solar plant project with the lowest risk*. At the bottom of the hierarchy lie the possible alternative projects. The intermediate levels show the risks (criteria) grouped by risk category. In the process of risk identification and grouping three sub-hierarchy levels were identified with no more than seven subcriteria per level. The AHP model does not analyze the influences among groups of criteria.

Once the hierarchy is established, the process follows three steps: (i) criteria weighting, (ii) assessment of the projects according to project risks, and (iii) results and findings. The first two steps are based on pairwise comparison matrices for the different levels and sublevels. In order for the DM to give his



judgments on each matrix, a questionnaire was designed with the following question: *given a certain higher level control criterion (e.g. economic criteria) and two lower level criteria, which risk is more important and to what extent according to Saaty's 1–9 scale?* Next, another questionnaire was designed to evaluate the different alternatives based on their relative risk levels using questions such as: *given a certain risk and two alternatives to compare, which alternative presents the higher risk and to what extent according to Saaty's 1–9 scale?*

Let us now mention an important consideration that affected the whole decision analysis process: although the main goal of the problem is *to select the project with the lowest risk*, when formulating the comparison matrices to weight the risks according to Saaty's 1–9 scale, the *highest* weight was obtained by the risk with the *highest* score, i.e. when comparing the importance of two risks, it was easier for the DM to score 9 a risk that was extremely more important than another risk with which it was compared. In this sense, for the risk-based assessment of the alternatives, the DM thought it better to consider the alternative with a higher risk more important than the other alternative under comparison. And this is the reason why the alternative with a *higher* score also obtained a *higher* risk value. Thus, in the results of AHP (and ANP as well) the alternative with the highest score is also the alternative with the highest risk value. This is why the formulation of the main goal of the problem states “to minimize risks”. However, for the final decision and taking into consideration all risks, the alternative with the *lowest* score is considered a better option, and therefore the project globally assessed as the alternative with the lowest risk value is the alternative finally selected as the best option.

Since the DM has to give  $n(n-1)/2$  judgments to calculate the eigenvectors of each pairwise comparison matrix, the hierarchy model required the DM to answer a questionnaire with 102 questions for risk weighting, and 300 questions for the assessment of the alternatives. The DM considered it easy to assess the alternatives in terms of project risks using the pairwise comparison method, as he possessed a deep knowledge of the risks and of the projects to assess. The results of the model are shown in Table 5 and Annex 4.

### 3.2.2. The network model

This model consists of elements grouped into clusters. The elements of a cluster can be related to elements of another cluster or to elements of the same cluster (feedback). The alternatives form an additional cluster.

**3.2.2.1. Determination of the network.** The first step of the ANP method is the representation of the decision problem using a network model. This requires a deep knowledge of the problem by the DM and the advice given by the AT based on the data collected in previous stages. The steps needed for the construction of the network are (i) determination of the elements, (ii) determination of the clusters, and (iii) determination of the influence network. The first step has been described above in Section 3.1. In order to establish the clusters, six risk categories were identified (political, technical, economic, time delays, legal and social); however, the economic and technical clusters contained more than nine elements. This was solved by defining additional economic and technical clusters with less than nine elements each. In this way, the resulting network contains 12 clusters (Fig. 2).

For the determination of the influences a zero–one *interfactorial dominance matrix* was used (Saaty 2001) whose elements  $a_{ij}$  take the value 1 or 0 depending on whether there is or there is not some influence of element  $i$  on element  $j$ . The rows and columns of the matrix are formed by all the elements of the network.

In ANP, this numerical data can be represented graphically and thus show the influence pattern of the network. This step is

essential for the further development of the process because if all the complexity of the real-world case study is to be transferred to the model, the DM has to accurately identify the influences of some elements upon others based on his knowledge and experience. If the DM fails to identify one influence, the model will not take it into account and some valuable information will be lost. For this reason the DM was asked about the influences that each risk exerted on the other risks and on the alternatives and vice versa. As there are 50 risks in the model, this means 2500 questions of the type “Do you think that risk  $R_i$  has any influence on  $R_j$ ?”. To facilitate the DM's task, the AT designed a questionnaire, organized into clusters and divided into two steps. In the first step the DM was asked to analyze the criteria groups, e.g. the “political criteria”, and to reflect on “whether any element of the group influences or is influenced by any of the risks belonging to another group, e.g. the “technical risks”. The actual wording of the question is “In your opinion, does any political risk have influence on any technical risk? The DM then only had to tick the Yes or No box in the questionnaire.

In the second step another questionnaire was designed in which the DM was asked about element-to-element relationships, but only for those clusters in which the DM had marked the existence of some relationship in the previous questionnaire. In this way many detail questions were eliminated from the questionnaire, which facilitated the DM's task. Thus the 2500 possible questions were simplified to 969 (the group of alternatives was supposed to influence and be influenced by all the risks). The questionnaire was organized into groups in such a way that the questions about external influences, i.e. possible influences among risks belonging to different clusters, were asked first, and then the questions about internal influences, i.e. feedback or influences among risks within the same cluster. Annex 3 shows the resulting interfactorial dominance matrix.

With the data obtained from the questionnaire the decision model was built with the help of the Super Decisions v1.6.0. software ([www.superdecisions.com](http://www.superdecisions.com)). Fig. 3 shows the relationships among the clusters.

**3.2.2.2. Determination of element and cluster priorities.** This stage includes all the steps of the ANP model. The first step consists of assigning priorities to related elements in order to build the unweighted supermatrix. For this end, each risk is analyzed in terms of which other risks have influence upon it; then the corresponding pairwise comparison matrices of each risk group are generated in order to obtain the corresponding eigenvectors.

The procedure is the following: let us suppose that some or all the elements (risks)  $e_{ik}$  of cluster  $C_k$  influence one element  $e_{ij}$  of cluster  $C_j$  (e.g. the three risks of the cluster “economic risks associated with technology” have influence on the risk “prevention maintenance costs” of the cluster “economic risks associated with exploitation”). To determine which elements (among those that have some kind of influence) of  $C_k$  have more influence on element  $e_{ij}$  of  $C_j$ , a reciprocal pairwise comparison matrix is built with the elements of  $C_k$ . In order to fill in each component of the matrix  $n(n-1)/2$  questions ( $n$  being the number of risks of  $C_k$  that influence  $e_{ij}$ ) have to be answered. This procedure is repeated for each cluster whose elements exert some influence on element  $e_{ij}$  of  $C_j$ . In this way, for each column of the  $e_{ij}$  elements of the unweighted supermatrix we can identify blocks corresponding to each of the clusters that exert some kind of influence on that element and whose values form the eigenvector that represents the relative influence of the elements of each cluster on element  $e_{ij}$ .

As in the case study different risks from different clusters have influences on one risk cluster the unweighted matrix is non-stochastic by columns. Thus, according to Saaty (2001), all clusters that exert any kind of influence upon each group have to be

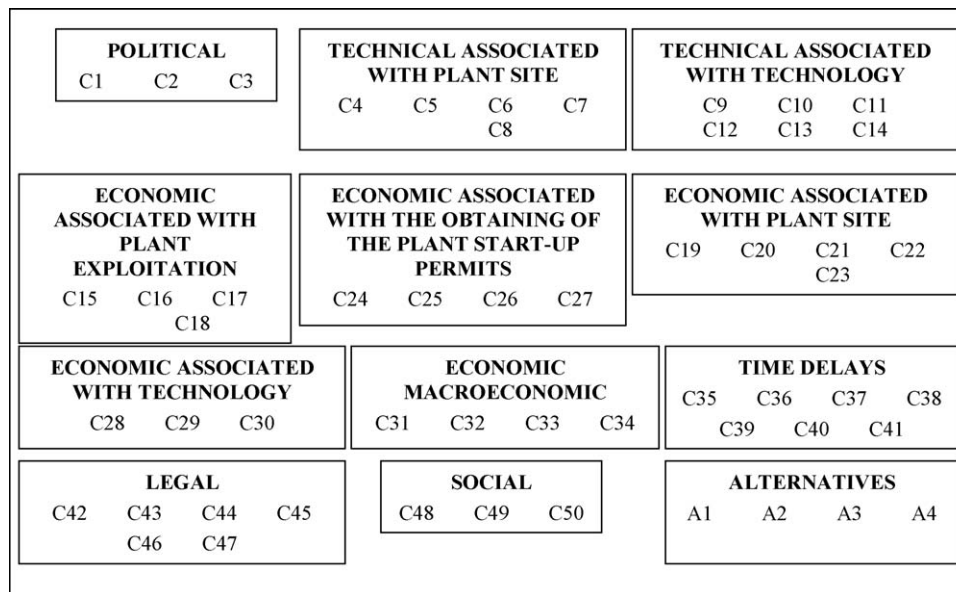


Fig. 2. The ANP model.

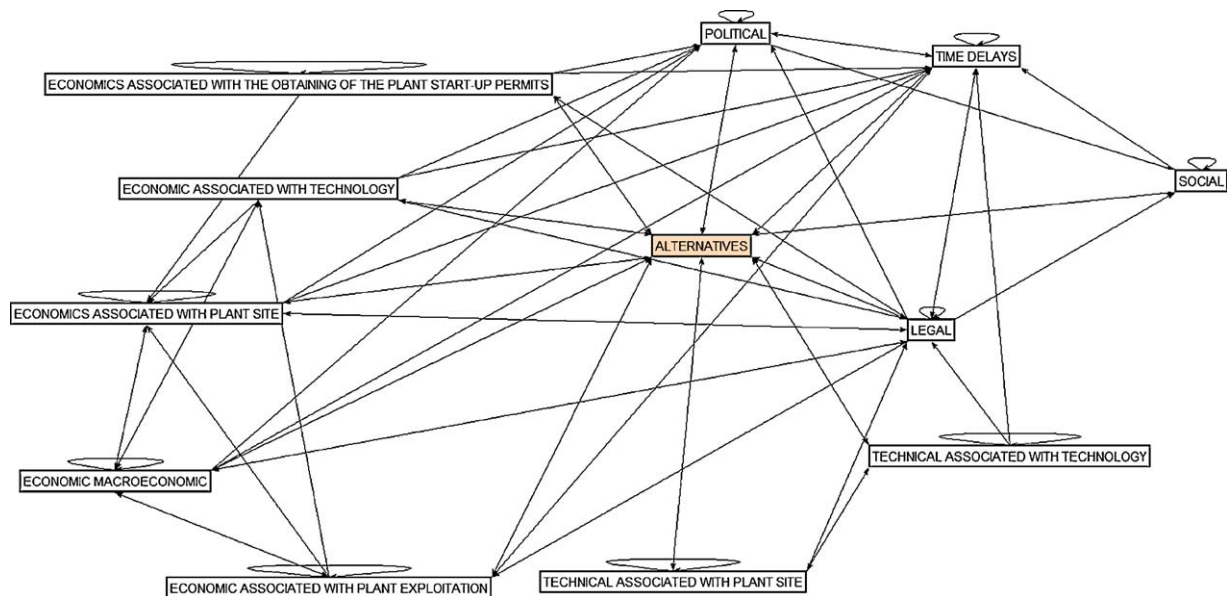


Fig. 3. Influence relationships in the ANP model.

prioritized using the corresponding cluster pairwise comparison matrices. The value corresponding to the priority associated with a certain cluster weights the priorities of the elements of the cluster on which it acts (in the unweighted supermatrix), and thus the weighted supermatrix can be generated. Annex 3 shows the unweighted and weighted matrices.

For this end, a new questionnaire about priorities was designed to be answered by the DM. This questionnaire analyzed each risk in terms of which of the other risks that have influence on it and belong to a certain cluster exerts a greater influence on it and to what extent. This is done by means of the pairwise comparison. The DM had to answer 332 questions in this model. Additionally the questionnaire had questions specifically designed to determine the priorities among clusters. This meant 200 additional questions. The questionnaire was designed as a multiple-choice test into tables that grouped the questions relative to the pairwise comparison matrices. Tables 2 and 3 show an example of the questionnaire.

**3.2.2.3. Calculation of the limit matrix and resulting prioritization.** By raising the weighted supermatrix to successive powers the limit matrix is obtained. The results of the model are shown in Tables 4 and 5 and in Annex 3.

### 3.3. Phase of evaluation of results

Table 4 shows the results obtained with each model of the study. The “best” alternative is the alternative with the overall “lower risk” and therefore the alternative with the “lowest” value. The alternative selected by the two models as the best option is alternative A3, which is the alternative with the lowest risks throughout the execution process, from project formulation to plant start-up. Both models also show the same priority order: A3 P A4 P A1 P A2, alternative A2 being by far the alternative with the highest risks.

Table 5 shows the comparison of the 15 risks with the highest importance or influence in both models. The cluster to which the

**Table 2**

Example of the questionnaire about prioritization of elements.

Criterion with the greatest influence		To what extent?	
Delays in the Local Body Approval	<input type="checkbox"/>	Delays in the obtaining of the EIS	<input type="checkbox"/>
Delays in the Local Body Approval	<input type="checkbox"/>	Delays in the obtaining of the construction license	<input type="checkbox"/>
Delays in the obtaining of the EIS	<input type="checkbox"/>	Delays in the obtaining of the construction license	<input type="checkbox"/>

With respect to the criterion “achievement in the obtaining of the construction license”, which criterion from the following criteria belonging to the group “time delays” exerts the greatest influence and to what extent?

**Table 3**

Example of the questionnaire about prioritization of clusters.

Cluster with the greatest influence		To what extent?	
Alternatives	<input type="checkbox"/>	Legal criteria	<input type="checkbox"/>
Alternatives	<input type="checkbox"/>	Technical criteria associated with features of the plant site	<input type="checkbox"/>
Alternatives	<input type="checkbox"/>	Technical criteria associated with technology	<input type="checkbox"/>
Legal criteria	<input type="checkbox"/>	Technical criteria associated with features of the plant site	<input type="checkbox"/>
Legal criteria	<input type="checkbox"/>	Technical criteria associated with technology	<input type="checkbox"/>
Technical criteria associated with features of the plant site	<input type="checkbox"/>	Technical criteria associated with technology	<input type="checkbox"/>

With respect to the cluster of “Technical” risks associated with “features of the plant site”, which cluster exerts the strongest influence and to what extent?

risk belongs is shown in brackets: P = political risk, E = economic risk, T = time delay risk, S = social risk, L = legal risk, I = technical risk. Annex 4 shows the weights of all risks calculated with each model.

Whereas there are no significant differences in the prioritization of the alternatives obtained in each model, they are noticeable in the case of risk analysis. This is due to the fact that the information is managed differently in each model. In the hierarchy AHP model the DM determines the priorities among the risks that he/she considers “inherent” to each risk when compared to the other risks. These priorities are independent of the project under study and the influences among risks are not taken into account in the analysis of the problem. Therefore, the two risks that the DM considered more relevant based on his experience and that could delay or stop the PV solar power plant projects were: the risk of delay in the obtaining of the Environmental Impact Statement

(C40) and the risk of changes in the regulations about the Environmental Impact Statement (C47).

However, the results of the ANP model show the great complexity of the problem. In ANP the priorities are affected by the influences among clusters. The fact that some risks exert influence upon others, but even more important, the fact that we are analyzing certain projects (specific alternatives) makes some risks that seem very important in the hierarchy model lose importance; or vice versa, some risks considered of little importance by the DM, gain importance when analyzing the influences shown by the model. This is the case of the risk “performance losses associated with exploitation” (C18); in the AHP model it is found in the third place of importance whereas in the ANP model it is in position 14. Additionally, the fact that some risks influence or are influenced by others and to what extent also increases or decreases the final weight of the risks.

In the network model the two most relevant risks are “changes in the energy policy” (C1) and “social consequences resulting from land acquisition” (it evaluates the risk that some social sector stands against the project) (C50). However, C1 is not positioned among the 15 most important risks in the AHP model. Risks C40 and C47 (first positions in AHP) are found in the 3rd and 4th position, respectively, in the ANP model. Risk C48 (risk of thefts) lies in the 5th position in this model, whereas in the AHP model it is not found within the first 15 positions.

With these results the question issued by the DM was if only the alternative projects are analyzed, it is clear that projects A3 and A4 are the best alternatives provided there is enough money to develop two projects. Both models support this decision. However, from the point of view of risk level, the present study allows the DM to analyze the differences between the importance that he gives to the risks and the importance resulting from the influence perceived by the DM among the elements of the network.

The AT recommended the DM to use the results obtained with the network model, despite the fact that risk analysis will then depend on the particular alternative under analysis. As stated by Saaty (2001, op.cit. 96) “the entries of the weighted supermatrix itself give the direct influence of any element on any other. But an element can influence a second element indirectly through its influence on some third element and then by the influence of that element on the second”. There may be many hidden influences through indirect relationships. Therefore, because we wish to capture the transmission of influence along all possible paths of the supermatrix, we need to raise the supermatrix to powers. The

**Table 4**

Priorities of the projects in % according to the model used.

	AHP	ANP
A1	29.9	28.45
A2	47.7	41.23
A3	6.3	14.4
A4	16.2	15.92

**Table 5**

Comparison of the priorities of the 15 risks with the greatest importance/influence (in %) depending on the model used.

AHP	Weight (%)	Single network ANP	Weight (%)
C40 (T)	12.4	C1 (P)	11.78
C47 (L)	11.1	C50 (S)	10.46
C18 (E)	9	C40 (T)	6.46
C34 (T)	7.2	C47 (L)	6.33
C2 (P)	6.3	C48 (S)	6.31
C15 (E)	5.2	C2 (P)	5.96
C30 (E)	4	C19 (E)	4.5
C39 (T)	4	C39 (T)	4.13
C16 (E)	3.4	C30 (E)	3.05
C22 (E)	3.1	C18 (E)	2.8
C38 (T)	2.7	C22 (E)	2.619
C50 (S)	2.7	C43 (L)	2.51
C33 (T)	2.5	C38 (T)	2.28
C21 (E)	2.4	C49 (S)	2.07
C44 (L)	2.4	C37 (T)	1.64



network model is the only model that takes into consideration all the influences perceived by the DM. Although this model is more complex than the AHP model, this is the main weakness and also the main strength of the method: Weakness in the sense of the complexity of the model, and strength in terms of the reflections, experience and full knowledge gained by the DM in the case study.

Further analysis will allow discussion on whether certain risks can be neglected or should be included in the analysis of the alternatives. Thus, in further similar decision-making problems with other alternative projects under study, the information about risk influences provided by the DM can be used in the new decision process and only the mutual influences between risks and alternatives will have to be studied.

It is worth mentioning that, since the DM possessed a deep knowledge on this kind of projects, the results coincided with his initial intuition. Despite the great efforts spent in answering the questionnaires, his conclusion was that he answered the questions fast and that the questions helped him reflect on the problem. This greatly helped him to select the best projects and to identify the risks with the greatest influences.

#### 4. Conclusions

This paper presents a practical application of the ANP method (including AHP as a particular case of ANP) to the field of project selection. In the case study the investment company is particularly sensitive to these decisions since in addition to investing in the exploitation of photovoltaic solar power it also designs and builds the plants. Therefore delays in the execution of the project are considered very relevant as the company's resources cannot be

inactive. The novelty of the present approach is to consider the decision-making process from the point of view of project risks and to take into consideration risk influences using ANP.

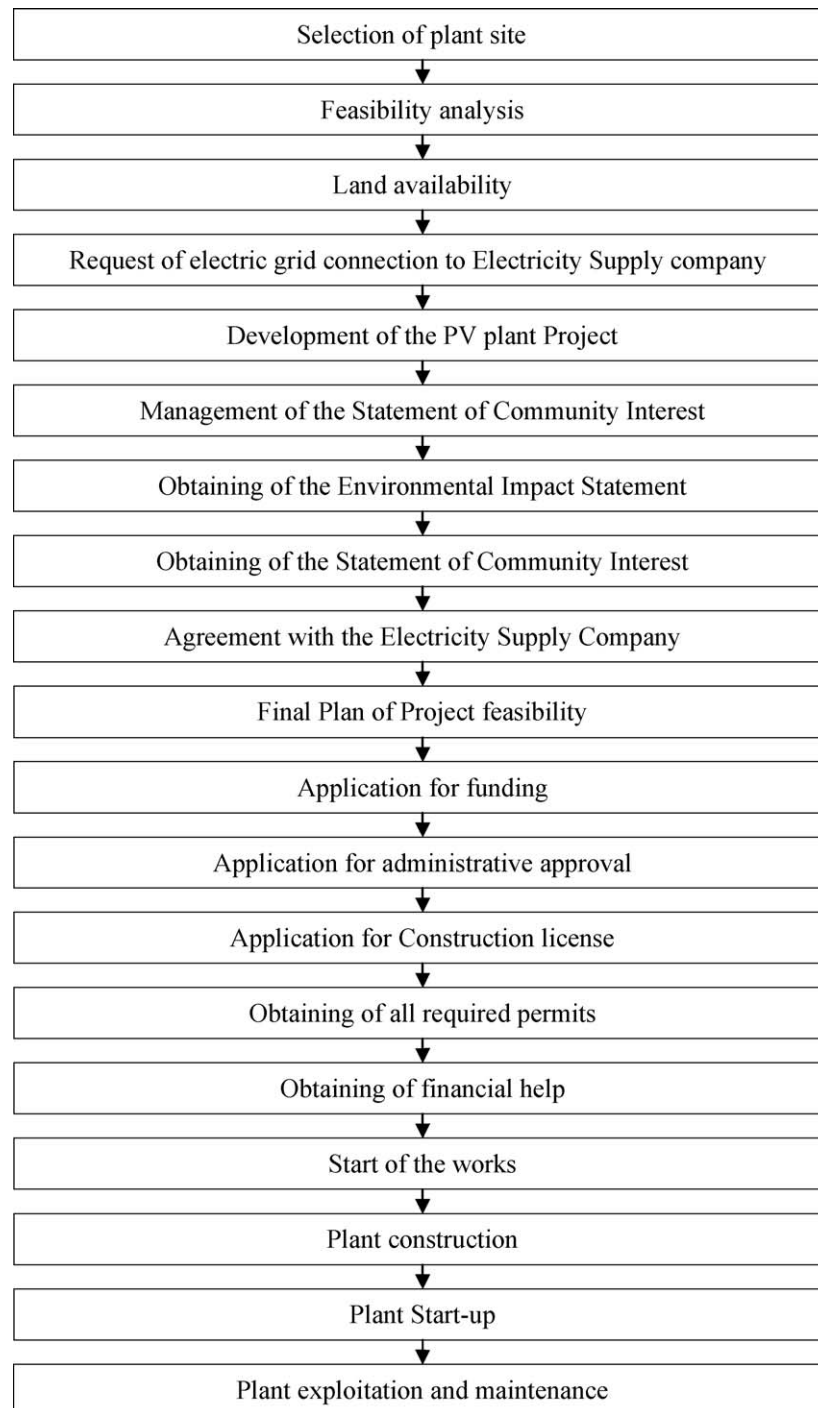
The decision problem was analyzed using two models, one hierarchy model and a network-based model. The purpose of model comparison was to analyze to which extent the interaction among elements affects the final result.

The analysis of the results reveals significant differences in the criteria weighting values obtained by AHP and ANP. AHP allows experts to determine the relevance of each criterion, whereas ANP provides the relative importance of each criterion in terms of its influence on the other selection criteria and between criteria and alternatives. In this way, ANP generates evaluation results closer to the expert's intuition.

The use of ANP involves the following considerations:

- The questionnaires to be answered by the DM have to be carefully designed (to allow for the correct analysis of influences among criteria and criteria prioritization).
- Cluster structure and components have to be well-defined to simplify the network as much as possible.

In this case study, the most important risks have been the following: C1 changes in the energy policy, C50 Social consequences resulting from land acquisition, C40 Delays in the obtaining of the EIS, C48 Thefts, C47 Legislative changes in the EIS, C2 Obtaining of the Local Body Approval, C19 Revenue estimation based on effective solar radiation time, C39 Delays in the obtaining of the Local Body Approval.

**Appendix A. ANNEX 1. Stages of a photovoltaic solar power plant project**

**Appendix B. ANNEX 2. Characteristics of the solar power plant projects (alternatives)**

Alternative 1	
Name	Hoya de los Vicentes
Location	Jumilla (Murcia)
Voltage	20 MW
Power system	Single axle tracker
Land classification	Non-urbanizable
Electrical connection system	132 kV Line
Land owner	Local Council of Jumilla
Environmental impact	No problems
Current situation of the Project	At an advanced stage
Alternative 2	
Name	Campo de Santa Teresa
Location	Lorca (Murcia)
Voltage	30 MW
Power system	Single axle tracker
Land classification	Non-urbanizable
Electrical connection system	132 kV line
Land owner	Private land owner with lease agreement with the builder
Environmental impact	No problems
Current situation of the Project	Preliminary stages pending
Alternative 3	
Name	Universidad Politécnica de Valencia
Location	Valencia (Valencia)
Voltage	4 MW
Power system	Fix
Land classification	Urban
Electrical connection system	20 kV line
Land owner	Universidad Politécnica de Valencia
Environmental impact	No problems
Current situation of the Project	Under feasibility study
Alternative 4	
Name	Riodel
Location	Mutxamiel (Alicante)
Voltage	10 MW
Power system	Single axle tracker
Land classification	Non-urbanizable. To be included in the next Urban Planning Plan
Electrical connection system	20 kV line
Land owner	Private land owner
Environmental impact	No problems
Current situation of the Project	Under feasibility study





### C.2. ANNEX 3. Unweighted supermatrix in the ANP model

[illegible]

### C.3. ANNEX 3 Weighted supermatrix in the ANP model

[illegible]

**Appendix D. ANNEX 4 Risk weights obtained in each model in percentage**

REF.	RISKS	AHP	ANP
C1	Changes in the energy policy.	1.50	11.78
C2	Obtaining of the Local Body Approval.	6.30	5.96
C3	Obtaining of the construction license.	1.30	1.29
C4	Technological adequacy to climate change.	0.20	0.24
C5	Estimation of flood risks.	1.70	0.74
C6	Estimation of effective solar radiation hours.	0.30	0.47
C7	Earthworks.	0.80	0.91
C8	Geotechnical problems of the terrain.	0.60	0.86
C9	Development of new PV solar power systems.	0.10	1.10
C10	Selection of the PV cell.	0.10	0.48
C11	Selection of the inverter.	0.20	0.29
C12	Selection of the solar tracker.	0.20	0.52
C13	Connection to the electric grid.	0.50	0.98
C14	Possibility of alternative power generation systems.	0.10	0.47
C15	Plant operation costs.	5.20	1.61
C16	Corrective maintenance costs.	3.40	1.23
C17	Prevention maintenance costs.	1.20	0.49
C18	Performance losses.	9.00	2.80
C19	Revenue estimation based on effective solar radiation time.	1.00	4.50
C20	Revenue estimation due to the climate change.	0.40	0.52
C21	Earthworks resources.	2.40	1.44
C22	Flood prevention works.	3.10	2.61
C23	Solution of geotechnical problems.	0.60	0.52
C24	Costs of connection to electric grid.	0.40	0.31
C25	Costs of agreement with land owner.	0.30	0.42
C26	Possibility of constructing the power connection line.	1.10	0.68
C27	Economic risks related to the obtaining of the construction license.	0.10	0.56
C28	Costs due to wrong selection of PV cell.	0.40	1.19
C29	Costs due to wrong selection of inverter.	1.30	0.86
C30	Costs due to lack of consistency in solar tracker selection.	4.00	3.05
C31	Obtaining of bank financing.	1.30	0.09
C32	Changes in power demand.	0.60	0.24
C33	Changes in the price of money.	2.50	0.87
C34	Changes in energy prices.	7.20	1.35
C35	Delays in the construction of the power connection line.	0.40	0.35
C36	Delays in the obtaining of the administration approval for the construction of the line.	1.00	0.79
C37	Delays in the obtaining of the plant Start-up Act.	0.20	1.64
C38	Delays in the signature of the agreement with the electricity supply company.	2.70	2.28
C39	Delays in the obtaining of the Local Body Approval.	4.00	4.13
C40	Delays in the obtaining of the EIS.	12.40	6.46
C41	Delays in the obtaining of the construction license.	1.10	0.60
C42	Changes in the specific legislation.	1.20	1.53
C43	Changes in the general legislation.	0.20	2.51
C44	Legislative changes in the Administrative Authorization of the power distribution line.	2.40	0.54
C45	Legislative changes in the Plant Start-up Act.	0.60	1.22
C46	Obtaining of the Registration in the Register of Production Facilities in special Regime.	0.40	1.33
C47	Legislative changes in the EIS.	11.10	6.33
C48	Thefts.	0.30	6.31
C49	Vandalism.	0.00	2.07
C50	Social consequences resulting from land acquisition.	2.70	10.47

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